

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

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Colfax-Mingo Community School District

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|---|--------------------------|---------------------|
| Board of Education | | |
| (Before September 2005 Election) | | |
| William Gannon | President | 2006 |
| Don Goodman | Vice President | 2005 |
| Monte Wilson | Board Member | 2005 |
| Terry Fox | Board Member | 2006 |
| Brian Mosher | Board Member | 2007 |
| Alvin Flyr | Board Member (Resigned) | 2007 |
| Jeff Lietz | Board Member (Appointed) | 2005 |
| Steve Murphy | Board Member (Resigned) | 2007 |
| Tom Wilson | Board Member (Appointed) | 2005 |
| Board of Education | | |
| (After September 2005 Election) | | |
| William Gannon | President | 2006 |
| Don Goodman | Vice President | 2008 |
| Terry Fox | Board Member | 2006 |
| Diane Mindham | Board Member | 2008 |
| Brian Mosher | Board Member | 2007 |
| Jeff Lietz | Board Member | 2007 |
| Tom Wilson | Board Member | 2007 |
| School Officials | | |
| Ed Ackerman | Superintendent | 2006 |
| Deb Hodgson | District Secretary | 2006 |
| Kelly Wilson | District Treasurer | 2006 |
| Tom Foley | Attorney | 2006 |

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Colfax-Mingo Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Colfax-Mingo Community School District, Colfax, Iowa as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Colfax-Mingo Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.


In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2006 on our consideration of Colfax-Mingo Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 39 through 40 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Colfax-Mingo Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

December 1, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Colfax-Mingo Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,662,965 in fiscal 2005 to \$6,625,626 in fiscal 2006, while General Fund expenditures increased from \$6,661,888 in fiscal 2005 to \$6,838,042 in fiscal 2006. This resulted in a decrease in the District's General Fund balance from \$930,594 in fiscal 2005 to a balance of \$693,842 in fiscal 2006, a 25.44% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local sources in fiscal 2006. The increase in expenditures was due primarily to an increase in the instruction and support services functions from costs of salaries and benefit increases.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Colfax-Mingo Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Colfax-Mingo Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Colfax-Mingo Community School District acts solely as an agent or custodial for the benefit of those outside of District government.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Colfax-Mingo Community School District Annual Financial Report

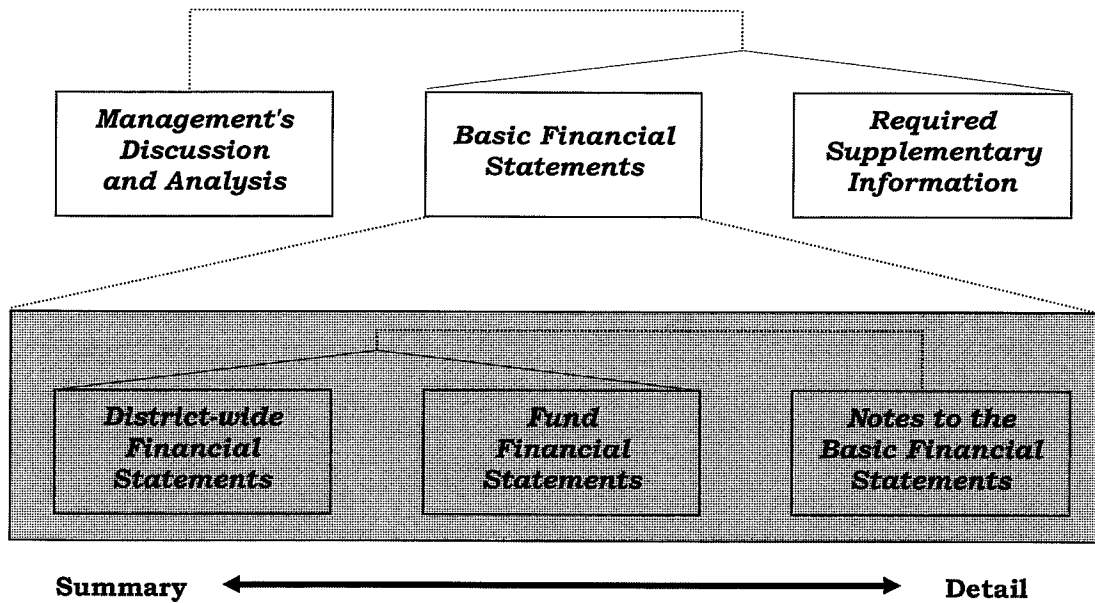


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

| Figure A-2 Major Features of the Government-wide and Fund Financial Statements | | | | |
|---|--|--|--|---|
| | Government-wide Statements | Fund Statements | | |
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire district (except fiduciary funds) | The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance | Activities the district operates similar to private businesses, e.g., food service | Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net assets • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances | <ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows | <ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid | All additions and deductions during the year, regardless of when cash is received or paid |

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and Capital Projects Fund and the Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- 3) *Fiduciary funds:* The District is a trustee, or fiduciary, for assets that belong to others. These funds include the Agency Fund.

Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

| | Governmental Activities | | Business-type Activities | | Total School District | | Total Change |
|--|----------------------------|------------|-----------------------------|----------|--------------------------|------------|-----------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2005-06 |
| Current and other assets | \$ 7,686,539 | 10,743,726 | 28,143 | 8,491 | 7,714,682 | 10,752,217 | -28.25% |
| Capital assets | 9,988,448 | 4,616,786 | 32,001 | 40,609 | 10,020,449 | 4,657,395 | 115.15% |
| Total assets | 17,674,987 | 15,360,512 | 60,144 | 49,100 | 17,735,131 | 15,409,612 | 15.09% |
| Long-term liabilities | 9,891,074 | 7,412,204 | 0 | 0 | 9,891,074 | 7,412,204 | 33.44% |
| Other liabilities | 4,842,525 | 4,933,453 | 106,395 | 59,428 | 4,948,920 | 4,992,881 | -0.88% |
| Total liabilities | 14,733,599 | 12,345,657 | 106,395 | 59,428 | 14,839,994 | 12,405,085 | 19.63% |
| Net assets: | | | | | | | |
| Investment in capital assets, net of related debt | 2,016,264 | 1,838,949 | 32,001 | 40,609 | 2,048,265 | 1,879,558 | 8.98% |
| Restricted | 101,769 | 126,825 | 0 | 0 | 101,769 | 126,825 | -19.76% |
| Unrestricted | 823,355 | 1,049,081 | (78,252) | (50,937) | 745,103 | 998,144 | -25.35% |
| Total net assets | \$ 2,941,388 | 3,014,855 | (46,251) | (10,328) | 2,895,137 | 3,004,527 | -3.64% |

The District's combined net assets decreased by 3.64%, or \$109,390, under the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$25,056, or 19.76% over the prior year. This decrease was primary due to the decrease in the Special Revenue, Physical Plant and Equipment Levy Fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$253,041, or 25.35%. This decrease was primarily due to the decrease in the fund balance in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2006 compared to June 30, 2005.

| Figure A-4 Changes of Net Assets | | | | | | | |
|--|----------------------------|-----------|-----------------------------|----------|--------------------------|-----------|-----------------|
| | Governmental Activities | | Business-type Activities | | Total School District | | Total Change |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2005-06 |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | \$ 317,499 | 450,500 | 198,549 | 159,455 | 516,048 | 609,955 | -15.40% |
| Operating grants and contributions and restricted interest | 739,686 | 675,727 | 104,996 | 125,962 | 844,682 | 801,689 | 5.36% |
| Capital grants and contributions and restricted interest | 1,000 | 0 | 0 | 0 | 1,000 | 0 | 100.00% |
| General revenues: | | | | | | | |
| Property tax | 2,589,096 | 2,497,162 | 0 | 0 | 2,589,096 | 2,497,162 | 3.68% |
| Local option sales and services tax | 428,865 | 374,883 | 0 | 0 | 428,865 | 374,883 | 14.40% |
| Unrestricted state grants | 3,687,446 | 3,483,588 | 0 | 0 | 3,687,446 | 3,483,588 | 5.85% |
| Other | 362,284 | 81,149 | 132 | 36 | 362,416 | 81,185 | 346.41% |
| Total revenues | 8,125,876 | 7,563,009 | 303,677 | 285,453 | 8,429,553 | 7,848,462 | 7.40% |
| Program expenses: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instructional | 4,793,863 | 4,674,796 | 0 | 0 | 4,793,863 | 4,674,796 | 2.55% |
| Support services | 2,049,285 | 1,992,098 | 0 | 0 | 2,049,285 | 1,992,098 | 2.87% |
| Non-instructional programs | 0 | 0 | 339,600 | 311,669 | 339,600 | 311,669 | 8.96% |
| Other expenses | 1,356,195 | 1,441,636 | 0 | 0 | 1,356,195 | 1,441,636 | -5.93% |
| Total expenses | 8,199,343 | 8,108,530 | 339,600 | 311,669 | 8,538,943 | 8,420,199 | 1.41% |
| Changes in net assets | (73,467) | (545,521) | (35,923) | (26,216) | (109,390) | (571,737) | -80.87% |
| Beginning net assets | 3,014,855 | 3,560,376 | (10,328) | 15,888 | 3,004,527 | 3,576,264 | -15.99% |
| Ending net assets | \$ 2,941,388 | 3,014,855 | (46,251) | (10,328) | 2,895,137 | 3,004,527 | -3.64% |

In fiscal 2006, property tax, local option sales and services tax and unrestricted state grants account for 82.52% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.96% of the revenue from business-type activities.

The District's total revenues were \$8,429,553 of which \$8,125,876 was for governmental activities and \$303,677 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 7.40% increase in revenues and a 1.41% increase in expenses. Property tax increased by \$91,934 to fund increases in expenditures. The increases in expenses were related to increases in negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$8,125,876 and expenses were \$8,199,343.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

| | Total Cost of Services | | | Net Cost of Services | | |
|------------------|------------------------|-----------|-------------------|----------------------|-----------|-------------------|
| | 2006 | 2005 | Change 2005-06 | 2006 | 2005 | Change 2005-06 |
| Instruction | \$ 4,793,863 | 4,674,796 | 2.55% | 3,991,165 | 3,798,228 | 5.08% |
| Support services | 2,049,285 | 1,992,098 | 2.87% | 2,048,273 | 1,990,818 | 2.89% |
| Other expenses | 1,356,195 | 1,441,636 | -5.93% | 1,101,720 | 1,193,257 | -7.67% |
| Totals | \$ 8,199,343 | 8,108,530 | 1.12% | 7,141,158 | 6,982,303 | 2.28% |

- The cost financed by users of the District's programs was \$317,499.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$740,686.
- The net cost of governmental activities was financed with \$2,589,096 in property tax, \$428,865 in local option sales and services tax, \$3,687,446 in unrestricted state grants, \$252,966 in interest income, \$60,345 in premium on bonds, \$6,077 on gain on sale of capital assets and \$42,896 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$303,677 and expenses were \$339,600. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Colfax-Mingo Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,682,618, below last year's ending fund balance of \$5,732,710. However, the primary reason for the decrease in combined fund balances in fiscal 2006 is due to the increase in capital construction expenses from the Capital Projects Fund.

Governmental Fund Highlights

- The District's declining General Fund financial position is the product of many factors. The decrease in revenues was more than offset by the increase in expenditures during fiscal year 2006, causing the General Fund balance to decrease.
- The Capital Projects Fund balance decreased from \$4,579,739 at June 30, 2005 to \$1,637,915 at June 30, 2006 due to the capital construction in progress.
- The Debt Service Fund balance increased from \$39,403 at June 30, 2005 to \$220,012 in at June 30, 2006 due to the fact that the bond payment is due on July 1.

Proprietary Fund Highlights

The Proprietary Funds net assets decreased from a deficit \$10,328 at June 30, 2005 to a deficit \$46,251 at June 30, 2006, representing a decrease of 347.82%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$2,858,331 less than budgeted revenues, a variance of 25.47%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services and non-instructional functions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$10,020,449, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 53.52% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$190,673.

The original cost of the District's capital assets was \$13,149,339. Governmental funds account for \$13,015,280 with the remainder of \$134,059 in the Proprietary funds.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$6,477,690 at June 30, 2006, compared to \$936,377 reported at June 30, 2005.

Figure A-6
Capital Assets, Net of Depreciation

| | Governmental Activities | | Business-type Activities | | Total School District | | Total Change |
|--------------------------|----------------------------|-----------|-----------------------------|--------|--------------------------|-----------|-----------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2005-06 |
| Land | \$ 123,219 | 123,219 | 0 | 0 | 123,219 | 123,219 | 0.00% |
| Construction in progress | 6,477,690 | 936,377 | 0 | 0 | 6,477,690 | 936,377 | 85.54% |
| Buildings | 3,201,852 | 3,313,370 | 0 | 0 | 3,201,852 | 3,313,370 | -3.48% |
| Land improvements | 94,280 | 114,576 | 0 | 0 | 94,280 | 114,576 | -21.53% |
| Machinery and equipment | 91,407 | 129,244 | 32,001 | 40,609 | 123,408 | 169,853 | -37.64% |
| Total | \$ 9,988,448 | 4,616,786 | 32,001 | 40,609 | 10,020,449 | 4,657,395 | 53.52% |

Long-Term Debt

At year-end, the District had \$9,891,074 in general obligation, revenue and other long-term debt outstanding. This represents an increase of 33.4% from last years balance of \$7,412,204. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

| | Total School District | | Total Change |
|--------------------------|-----------------------|------------------|-----------------|
| | 2006 | 2005 | |
| General obligation bonds | \$ 7,060,000 | 7,270,000 | -2.9% |
| Revenue bonds | 2,670,000 | 0 | 100.0% |
| Energy loan | 37,862 | 51,600 | -26.6% |
| Mower lease | 4,692 | 6,829 | -31.3% |
| Computer lease | 7,357 | 14,347 | -48.7% |
| Compensated absences | 54,181 | 0 | 100.0% |
| Early retirement | 56,982 | 69,428 | -17.9% |
| Totals | <u>\$ 9,891,074</u> | <u>7,412,204</u> | <u>33.4%</u> |

The District had \$7,060,000 in general obligation bonds outstanding at June 30, 2006.

In July 2005, the District issued \$2,825,000 of local option sales and services tax revenue bonds for the high school construction project. The District had \$2,670,000 in revenue bonds outstanding at June 30, 2006.

The District had an energy loan note payable of \$37,862 at June 30, 2006 payable from the General Fund.

The District had a mower lease payable of \$4,692 at June 30, 2006 payable from the Special Revenue, Physical Plant and Equipment Levy Fund.

The District had a computer lease payable of \$7,357 at June 30, 2006 payable from the General Fund.

The District had compensated absences payable of \$54,181 at June 30, 2006 payable from the General Fund.

The District had early retirement payable of \$56,982 at June 30, 2006 payable from the Special Revenue, Management Fund.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District saw little or no increase in property tax valuations.
- The District had little or no increase in enrollment activity.
- The District saw little or no economic growth in the county.
- The increasing costs of health insurance is continuing to be a concern for the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Deb Hodgson, Board Secretary, Colfax-Mingo Community School District, 1000 North Walnut, Colfax, Iowa, 50054.

BASIC FINANCIAL STATEMENTS

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|-------------------|
| ASSETS | | | |
| Cash and pooled investments: | | | |
| ISCAP(Note 5) | \$ 1,404,045 | 0 | 1,404,045 |
| Other | 3,191,470 | 0 | 3,191,470 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 32,030 | 0 | 32,030 |
| Succeeding year | 2,504,397 | 0 | 2,504,397 |
| Income surtax | 262,241 | 0 | 262,241 |
| Interfund | 103,047 | 0 | 103,047 |
| Accrued ISCAP interest(Note 5) | 437 | 0 | 437 |
| Due from other governments | 188,872 | 22,841 | 211,713 |
| Inventories | 0 | 5,302 | 5,302 |
| Capital assets, net of accumulated depreciation(Note 6) | 9,988,448 | 32,001 | 10,020,449 |
| TOTAL ASSETS | 17,674,987 | 60,144 | 17,735,131 |
| LIABILITIES | | | |
| Excess of warrants issued over bank balance | 0 | 1,666 | 1,666 |
| Interfund payable | 0 | 103,047 | 103,047 |
| Accounts payable | 448,670 | 0 | 448,670 |
| Salaries and benefits payable | 371,566 | 0 | 371,566 |
| ISCAP warrants payable(Note 5) | 1,406,000 | 0 | 1,406,000 |
| ISCAP accrued interest payable(Note 5) | 347 | 0 | 347 |
| ISCAP unamortized premium | 10,700 | 0 | 10,700 |
| Interest payable | 100,845 | 0 | 100,845 |
| Deferred revenue: | | | |
| Succeeding year property tax | 2,504,397 | 0 | 2,504,397 |
| Unearned revenue | 0 | 1,682 | 1,682 |
| Long-term liabilities(Note 7): | | | |
| Portion due within one year: | | | |
| General obligation bonds payable | 260,000 | 0 | 260,000 |
| Revenue bond payable | 285,000 | 0 | 285,000 |
| Energy loan payable | 14,560 | 0 | 14,560 |
| Mower lease payable | 2,276 | 0 | 2,276 |
| Computer lease payable | 7,357 | 0 | 7,357 |
| Compensated absences payable | 54,181 | 0 | 54,181 |
| Early retirement payable | 13,481 | 0 | 13,481 |
| Portion due after one year: | | | |
| General obligation bonds payable | 6,800,000 | 0 | 6,800,000 |
| Revenue bond payable | 2,385,000 | 0 | 2,385,000 |
| Energy loan | 23,302 | 0 | 23,302 |
| Mower lease | 2,416 | 0 | 2,416 |
| Early retirement payable | 43,501 | 0 | 43,501 |
| TOTAL LIABILITIES | 14,733,599 | 106,395 | 14,839,994 |
| NET ASSETS | | | |
| Investment in capital assets, net of related debt | 2,016,264 | 32,001 | 2,048,265 |
| Restricted for: | | | |
| Physical plant and equipment levy | 43,886 | 0 | 43,886 |
| Other special revenue purposes | 57,883 | 0 | 57,883 |
| Unrestricted | 823,355 | (78,252) | 745,103 |
| TOTAL NET ASSETS | \$ 2,941,388 | (46,251) | 2,895,137 |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|------------------|-------------------------|--|--|--|-----------------------------|-------------|
| | Expenses | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest | Governmental Activities | Business-Type Activities | Total |
| Functions/Programs | | | | | | | |
| Governmental activities: | | | | | | | |
| Instruction: | | | | | | | |
| Regular instruction | \$ 3,066,062 | 135,355 | 436,634 | 0 | (2,494,073) | 0 | (2,494,073) |
| Special instruction | 855,427 | 65,351 | 45,462 | 0 | (744,614) | 0 | (744,614) |
| Other instruction | 872,374 | 116,793 | 3,103 | 0 | (752,478) | 0 | (752,478) |
| | 4,793,863 | 317,499 | 485,199 | 0 | (3,991,165) | 0 | (3,991,165) |
| Support services: | | | | | | | |
| Student services | 162,948 | 0 | 0 | 0 | (162,948) | 0 | (162,948) |
| Instructional staff services | 210,439 | 0 | 0 | 0 | (210,439) | 0 | (210,439) |
| Administration services | 846,160 | 0 | 0 | 0 | (846,160) | 0 | (846,160) |
| Operation and maintenance of plant services | 535,497 | 0 | 0 | 0 | (535,497) | 0 | (535,497) |
| Transportation services | 294,241 | 0 | 1,012 | 0 | (293,229) | 0 | (293,229) |
| | 2,049,285 | 0 | 1,012 | 0 | (2,048,273) | 0 | (2,048,273) |
| Other expenditures: | | | | | | | |
| Facilities and acquisitions | 490,179 | 0 | 0 | 1,000 | (489,179) | 0 | (489,179) |
| Long-term debt interest | 469,892 | 0 | 0 | 0 | (469,892) | 0 | (469,892) |
| AEA flowthrough | 253,475 | 0 | 253,475 | 0 | 0 | 0 | 0 |
| Depreciation(unallocated)* | 142,649 | 0 | 0 | 0 | (142,649) | 0 | (142,649) |
| | 1,356,195 | 0 | 253,475 | 1,000 | (1,101,720) | 0 | (1,101,720) |
| Total governmental activities | 8,199,343 | 317,499 | 739,686 | 1,000 | (7,141,158) | 0 | (7,141,158) |
| Business-Type activities: | | | | | | | |
| Non-instructional programs: | | | | | | | |
| Nutrition services | 339,600 | 198,549 | 104,996 | 0 | 0 | (36,055) | (36,055) |
| Total business-type activities | 339,600 | 198,549 | 104,996 | 0 | 0 | (36,055) | (36,055) |
| Total | \$ 8,538,943 | 516,048 | 844,682 | 1,000 | (7,141,158) | (36,055) | (7,177,213) |
| General Revenues: | | | | | | | |
| Local tax for: | | | | | | | |
| General purposes | | | | | \$ 2,001,243 | 0 | 2,001,243 |
| Debt Service | | | | | 542,373 | 0 | 542,373 |
| Capital outlay | | | | | 45,480 | 0 | 45,480 |
| Local option sales and services tax | | | | | 428,865 | 0 | 428,865 |
| Unrestricted state grants | | | | | 3,687,446 | 0 | 3,687,446 |
| Unrestricted investment earnings | | | | | 252,966 | 132 | 253,098 |
| Premium on bonds | | | | | 60,345 | 0 | 60,345 |
| Gain on sale of capital assets | | | | | 6,077 | 0 | 6,077 |
| Other | | | | | 42,896 | 0 | 42,896 |
| Total general revenues | | | | | 7,067,691 | 132 | 7,067,823 |
| Changes in net assets | | | | | (73,467) | (35,923) | (109,390) |
| Net assets beginning of year, as restated(Note 12) | | | | | 3,014,855 | (10,328) | 3,004,527 |
| Net assets end of year | | | | | \$ 2,941,388 | (46,251) | 2,895,137 |

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

| | General | Capital Projects | Debt Service | Nonmajor Special Revenue Funds | Total |
|--|---------------------|---------------------|-----------------|---|------------------|
| ASSETS | | | | | |
| Cash and pooled investments | | | | | |
| ISCAP(Note 5) | \$ 1,404,045 | 0 | 0 | 0 | 1,404,045 |
| Other | 613,690 | 2,089,761 | 358,647 | 129,372 | 3,191,470 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | 22,603 | 0 | 7,653 | 1,774 | 32,030 |
| Succeeding year | 1,836,971 | 0 | 541,259 | 126,167 | 2,504,397 |
| Income surtax | 262,214 | 0 | 0 | 0 | 262,214 |
| Interfund | 418,072 | 215,130 | 68,842 | 1,197 | 703,241 |
| Accrued ISCAP interest(Note 5) | 437 | 0 | 0 | 0 | 437 |
| Due from other governments | 101,200 | 86,672 | 0 | 1,000 | 188,872 |
| TOTAL ASSETS | \$ 4,659,232 | 2,391,563 | 976,401 | 259,510 | 8,286,706 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Interfund payable | \$ 63,928 | 318,939 | 215,130 | 2,197 | 600,194 |
| Accounts payable | 13,664 | 434,709 | 0 | 297 | 448,670 |
| Salaries and benefits payable | 371,566 | 0 | 0 | 0 | 371,566 |
| ISCAP warrants payable(Note 5) | 1,406,000 | 0 | 0 | 0 | 1,406,000 |
| ISCAP accrued interest payable(Note 5) | 347 | 0 | 0 | 0 | 347 |
| ISCAP unamortized premium | 10,700 | 0 | 0 | 0 | 10,700 |
| Deferred revenue: | | | | | |
| Succeeding year property tax | 1,836,971 | 0 | 541,259 | 126,167 | 2,504,397 |
| Income surtax | 262,214 | 0 | 0 | 0 | 262,214 |
| Total liabilities | 3,965,390 | 753,648 | 756,389 | 128,661 | 5,604,088 |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Debt service | 0 | 0 | 220,012 | 0 | 220,012 |
| Unreserved: | | | | | |
| General | 693,842 | 0 | 0 | 0 | 693,842 |
| Capital projects | 0 | 1,637,915 | 0 | 0 | 1,637,915 |
| Management | 0 | 0 | 0 | 24,365 | 24,365 |
| Physical plant and equipment levy | 0 | 0 | 0 | 48,601 | 48,601 |
| Other special revenue purposes | 0 | 0 | 0 | 57,883 | 57,883 |
| Total fund balances | 693,842 | 1,637,915 | 220,012 | 130,849 | 2,682,618 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 4,659,232 | 2,391,563 | 976,401 | 259,510 | 8,286,706 |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2006

| | |
|--|----------------------------|
| Total fund balances of governmental funds (page 16) | \$ 2,682,618 |
| <i>Amounts reported for governmental activities in the statement of net assets are different because:</i> | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 9,988,448 |
| Accounts receivable income surtax, are not yet available to finance expenditures of the current period. | 262,241 |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | (100,845) |
| Long-term liabilities, including general obligation bonds, revenue bonds, energy loan, mower lease, computer lease, compensated absences and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | <u>(9,891,074)</u> |
| Net assets of governmental activities (page 14) | <u><u>\$ 2,941,388</u></u> |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

| | General | Capital Projects | Debt Service | Nonmajor Special Revenue Funds | Total |
|---|--------------|---------------------|-----------------|---|-------------|
| REVENUES: | | | | | |
| Local sources: | | | | | |
| Local tax | \$ 1,923,874 | 428,865 | 542,373 | 125,863 | 3,020,975 |
| Tuition | 171,293 | 0 | 0 | 0 | 171,293 |
| Other | 126,260 | 194,017 | 3,653 | 123,343 | 447,273 |
| State sources | 4,222,535 | 0 | 18,132 | 96 | 4,240,763 |
| Federal sources | 181,164 | 0 | 0 | 1,000 | 182,164 |
| Total revenues | 6,625,126 | 622,882 | 564,158 | 250,302 | 8,062,468 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular instruction | 3,049,976 | 0 | 0 | 13,361 | 3,063,337 |
| Special instruction | 855,427 | 0 | 0 | 0 | 855,427 |
| Other instruction | 738,422 | 0 | 0 | 133,952 | 872,374 |
| | 4,643,825 | 0 | 0 | 147,313 | 4,791,138 |
| Support services: | | | | | |
| Student services | 162,948 | 0 | 0 | 0 | 162,948 |
| Instructional staff services | 210,439 | 0 | 0 | 0 | 210,439 |
| Administration services | 761,916 | 0 | 0 | 92,409 | 854,325 |
| Operation and maintenance of plant services | 530,425 | 0 | 0 | 0 | 530,425 |
| Transportation services | 275,014 | 0 | 0 | 0 | 275,014 |
| | 1,940,742 | 0 | 0 | 92,409 | 2,033,151 |
| Other expenditures: | | | | | |
| Facilities acquisitions | 0 | 5,976,601 | 0 | 65,726 | 6,042,327 |
| Long-term debt: | | | | | |
| Principal | 0 | 0 | 387,865 | 0 | 387,865 |
| Interest and fiscal charges | 0 | 60,653 | 435,373 | 0 | 496,026 |
| AEA flowthrough | 253,475 | 0 | 0 | 0 | 253,475 |
| | 253,475 | 6,037,254 | 823,238 | 65,726 | 7,179,693 |
| Total expenditures | 6,838,042 | 6,037,254 | 823,238 | 305,448 | 14,003,982 |
| Deficiency of revenues under expenditures | (212,916) | (5,414,372) | (259,080) | (55,146) | (5,941,514) |
| Other financing sources(uses): | | | | | |
| Transfer in | 0 | 0 | 439,689 | 0 | 439,689 |
| Transfer out | (24,336) | (412,797) | 0 | (2,556) | (439,689) |
| Issuance of revenue bonds | 0 | 2,825,000 | 0 | 0 | 2,825,000 |
| Premium on bonds | 0 | 60,345 | 0 | 0 | 60,345 |
| Sale of capital assets | 500 | 0 | 0 | 5,577 | 6,077 |
| Total other financing sources(uses) | (23,836) | 2,472,548 | 439,689 | 3,021 | 2,891,422 |
| Net change in fund balances | (236,752) | (2,941,824) | 180,609 | (52,125) | (3,050,092) |
| Fund balance beginning of year | 930,594 | 4,579,739 | 39,403 | 182,974 | 5,732,710 |
| Fund balance end of year | \$ 693,842 | 1,637,915 | 220,012 | 130,849 | 2,682,618 |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2006

Net change in fund balances - total governmental funds (page 18) \$ (3,050,092)

**Amounts reported for governmental activities in the
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

| | | |
|----------------------|------------------|-----------|
| Capital outlays | \$ 5,553,727 | |
| Depreciation expense | <u>(182,065)</u> | 5,371,662 |

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

| | | |
|--------|----------------|-------------|
| Issued | (2,825,000) | |
| Repaid | <u>387,865</u> | (2,437,135) |

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

26,134

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.

(3,014)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

| | | |
|----------------------|---------------|--------|
| Compensated absences | (54,181) | |
| Early retirement | 12,446 | |
| ISEBA assessment | <u>60,713</u> | 18,978 |

Changes in net assets of governmental activities (page 15)

\$ (73,467)

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

| | School Nutrition |
|--|---------------------|
| ASSETS | |
| Due from other governments | \$ 22,841 |
| Inventories | 5,302 |
| Capital assets, net of accumulated depreciation(Note 6) | 32,001 |
| TOTAL ASSETS | 60,144 |
| LIABILITIES | |
| Excess of warrants issued over bank balance | 1,666 |
| Interfund payable | 103,047 |
| Unearned revenue | 1,682 |
| TOTAL LIABILITIES | 106,395 |
| NET ASSETS | |
| Investment in capital assets, net of related debt | 32,001 |
| Unrestricted | (78,252) |
| TOTAL NET ASSETS | \$ (46,251) |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

| | <u>School Nutrition</u> |
|------------------------------|-----------------------------|
| OPERATING REVENUE: | |
| Local sources: | |
| Charges for services | \$ 198,549 |
| TOTAL OPERATING REVENUES | <u>198,549</u> |
| OPERATING EXPENSES: | |
| Non-instructional programs: | |
| Food service operations: | |
| Salaries | 106,999 |
| Benefits | 47,184 |
| Services | 4,812 |
| Supplies | 171,997 |
| Depreciation | 8,608 |
| TOTAL OPERATING EXPENSES | <u>339,600</u> |
| OPERATING LOSS | <u>(141,051)</u> |
| NON-OPERATING REVENUES: | |
| State sources | 2,743 |
| Federal sources | 102,253 |
| Interest income | 132 |
| TOTAL NON-OPERATING REVENUES | <u>105,128</u> |
| Change in net assets | (35,923) |
| Net assets beginning of year | <u>(10,328)</u> |
| Net assets end of year | <u>\$ (46,251)</u> |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

| | <u>School Nutrition</u> |
|--|-----------------------------|
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts | \$ 174,515 |
| Cash received from miscellaneous | 24,526 |
| Cash payments to employees for services | (154,183) |
| Cash payments to suppliers for goods or services | (157,085) |
| Net cash used in operating activities | <u>(112,227)</u> |
| Cash flows from non-capital financing activities: | |
| Interfund loan received from General Fund | 48,686 |
| Interfund loan received from Student Activity Fund | 695 |
| State grants received | 2,743 |
| Federal grants received | 58,481 |
| Net cash provided by non-capital financing activities | <u>110,605</u> |
| Cash flows from investing activities: | |
| Interest on investments | 132 |
| Net cash provided by investing activities | <u>132</u> |
| Net decrease in cash and cash equivalents | (1,490) |
| Cash and cash equivalents at beginning of year | <u>(176)</u> |
| Cash and cash equivalents at end of year | <u>\$ (1,666)</u> |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ (141,051) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Commodities consumed | 20,931 |
| Depreciation | 8,608 |
| Decrease in inventories | 2,494 |
| Decrease in accounts payable | (3,701) |
| Increase in unearned revenue | 492 |
| Net cash used in operating activities | <u>\$ (112,227)</u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET: | |
| Current assets: | |
| Cash and pooled investments | <u>\$ (1,666)</u> |

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$20,931.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2006

| | <u>Agency</u> |
|-----------------------------|-----------------|
| Assets | |
| Cash and pooled investments | \$ 2,543 |
| Total assets | <u>\$ 2,543</u> |
| Liabilities | |
| Due to other groups | \$ 2,543 |
| Total liabilities | <u>\$ 2,543</u> |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

(1) **Summary of Significant Accounting Policies**

The Colfax-Mingo Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Colfax and Mingo, Iowa, and the predominate agricultural territory in Jasper County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Colfax-Mingo Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Colfax-Mingo Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Jasper County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary fund is the School Nutrition Fund. The Nutrition fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied. The fiduciary fund financial statements are reported using the economic resources measurement focus to indicate that agency funds have no measurement focus.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the

District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following

fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class | Amount |
|---------------------------------|----------|
| Land | \$ 1,500 |
| Buildings | 1,500 |
| Land improvements | 1,500 |
| Machinery and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other machinery and equipment | 1,500 |

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

| Asset Class | Estimated Useful Lives (In Years) |
|-------------------------|-----------------------------------|
| Buildings | 50 years |
| Land improvements | 20 years |
| Machinery and equipment | 5-20 years |

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding

to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused sick leave for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the support services and non-instructional programs functions exceeded the amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2006 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

| | <u>Amortized Cost</u> |
|-------------------------------------|---------------------------|
| Iowa Schools Joint Investment Trust | <u>\$ 2,434,832</u> |

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The certificates of deposit are classified as Category 1, which means the investments are insured or registered or the securities are held by the District or its agent in the District's name.

Securities and certificates are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2006, the District had investments in Certificates of Deposit maturing over a year as follows:

| | <u>Fair Value</u> |
|-------------------------|-----------------------|
| Certificates of Deposit | <u>\$ 14,723</u> |

(3) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2006 is as follows:

| Receivable Fund | Payable Fund | Amount |
|------------------|------------------|-------------------|
| Management | PPEL | \$ 1,197 |
| Capital Projects | Debt Service | 215,130 |
| General | Capital Projects | 313,005 |
| Debt Service | Capital Projects | 4,914 |
| General | Capital Projects | 1,020 |
| Debt Service | General | 63,928 |
| General | Nutrition | 103,047 |
| General | PPEL | 1,000 |
| Total | | <u>\$ 703,241</u> |

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

| Transfer to | Transfer from | Amount |
|--------------|--|-------------------|
| Debt Service | General | \$ 24,336 |
| Debt Service | Special Revenue, Physical Plant and Equipment Levy | 2,556 |
| Debt Service | Capital Projects | 412,797 |
| Total | | <u>\$ 439,689</u> |

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Iowa School Cash Anticipation Program

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2006 is as follows:

| Series | Warrant Date | Final Warrant Maturity | Investments | Accrued Interest Receivable | Warrants Payable | Accrued Interest Payable |
|----------|--------------|------------------------|--------------|-----------------------------|------------------|--------------------------|
| 2006-07A | 6/28/06 | 6/28/07 | \$ 1,404,045 | 437 | 1,406,000 | 347 |

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must

be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no advance activity during the year ended June 30, 2006.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

| Series | Interest Rates on Warrants | Interest Rates on Investments |
|----------|----------------------------|-------------------------------|
| 2006-07A | 4.500% | 5.676% |

(6) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

| | Balance Beginning of Year, as restated (Note 12) | Increases | Decreases | Balance End of Year |
|---|---|-----------|-----------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 123,219 | 0 | 0 | 123,219 |
| Construction in progress | 936,377 | 5,541,313 | 0 | 6,477,690 |
| Total capital assets not being depreciated | 1,059,596 | 5,541,313 | 0 | 6,600,909 |
| Capital assets being depreciated: | | | | |
| Buildings | 5,178,454 | 10,835 | 0 | 5,189,289 |
| Land improvements | 329,241 | 0 | 0 | 329,241 |
| Machinery and equipment | 894,262 | 1,579 | 0 | 895,841 |
| Total capital assets being depreciated | 6,401,957 | 12,414 | 0 | 6,414,371 |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,865,084 | 122,353 | 0 | 1,987,437 |
| Land improvements | 214,665 | 20,296 | 0 | 234,961 |
| Machinery and equipment | 765,018 | 39,416 | 0 | 804,434 |
| Total accumulated depreciation | 2,844,767 | 182,065 | 0 | 3,026,832 |
| Total capital assets being depreciated, net | 3,557,190 | (169,651) | 0 | 3,387,539 |
| Governmental activities capital assets, net | \$ 4,616,786 | 5,371,662 | 0 | 9,988,448 |

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|-----------|-----------|---------------------------|
| Business-type activities: | | | | |
| Machinery and equipment | \$ 134,059 | 0 | 0 | 134,059 |
| Less accumulated depreciation | 93,450 | 8,608 | 0 | 102,058 |
| Business-type activities capital assets, net | \$ 40,609 | (8,608) | 0 | 32,001 |

Depreciation expense was charged by the District as follows:

| | | |
|---|--|------------|
| Governmental activities: | | |
| Instruction: | | |
| Regular | | \$ 13,182 |
| Support services: | | |
| Administration | | 1,935 |
| Operation and maintenance of plant | | 5,072 |
| Transportation | | 19,227 |
| | | 39,416 |
| Unallocated depreciation | | 142,649 |
| Total governmental activities depreciation expense | | \$ 182,065 |
| Business-type activities: | | |
| Food service operations | | \$ 8,608 |
| Total business-type activities depreciation expense | | \$ 8,608 |

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year | Due Within One Year |
|--------------------------|---------------------------------|-----------|-----------|---------------------------|---------------------------|
| General obligation bonds | \$ 7,270,000 | 0 | 210,000 | 7,060,000 | 260,000 |
| Revenue bonds | 0 | 2,825,000 | 155,000 | 2,670,000 | 285,000 |
| Energy loan | 51,600 | 0 | 13,738 | 37,862 | 14,560 |
| Mower lease | 6,829 | 0 | 2,137 | 4,692 | 2,276 |
| Computer lease | 14,347 | 0 | 6,990 | 7,357 | 7,357 |
| Compensated absences | 0 | 54,181 | 0 | 54,181 | 54,181 |
| Early retirement | 69,428 | 0 | 12,446 | 56,982 | 13,481 |
| Total | \$ 7,412,204 | 2,879,181 | 400,311 | 9,891,074 | 636,855 |

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

| Year Ending June 30, | Bond Issue of June 1, 2003 | | | Bond Issue of November 1, 2004 | | |
|----------------------------|----------------------------|--------------|----------|--------------------------------|--------------|-----------|
| | Interest Rates | Principal | Interest | Interest Rates | Principal | Interest |
| 2007 | 2.250 % | \$ 180,000 | 73,801 | 3.000 % | \$ 80,000 | 167,590 |
| 2008 | 2.500 | 190,000 | 69,751 | 3.00-3.10 | 75,000 | 165,265 |
| 2009 | 2.750 | 190,000 | 65,001 | 3.10-3.30 | 85,000 | 162,880 |
| 2010 | 3.000 | 195,000 | 59,776 | 3.300 | 85,000 | 160,115 |
| 2011 | 3.125 | 205,000 | 53,926 | 3.30-3.45 | 85,000 | 157,310 |
| 2012-2016 | 3.30-3.70 | 1,095,000 | 165,620 | 3.45-4.05 | 515,000 | 733,995 |
| 2017-2021 | 3.800 | 240,000 | 9,120 | 4.05-4.40 | 1,720,000 | 543,646 |
| 2022-2025 | | - | - | 4.40-4.60 | 1,395,000 | 112,985 |
| Total | | \$ 2,295,000 | 496,995 | | \$ 4,040,000 | 2,203,786 |

| Year Ending June 30, | Bond Issue of May 1, 2005 | | | Total | | |
|----------------------------|---------------------------|------------|----------|--------------|-----------|------------|
| | Interest Rates | Principal | Interest | Principal | Interest | Total |
| 2007 | 5.750 % | \$ - | 39,867 | \$ 260,000 | 281,258 | 541,258 |
| 2008 | 5.750 | 10,000 | 39,867 | 275,000 | 274,883 | 549,883 |
| 2009 | 5.750 | 10,000 | 39,293 | 285,000 | 267,174 | 552,174 |
| 2010 | 5.750 | 10,000 | 38,717 | 290,000 | 258,608 | 548,608 |
| 2011 | 5.750 | 10,000 | 38,143 | 300,000 | 249,379 | 549,379 |
| 2012-2016 | 5.750 | 50,000 | 182,088 | 1,660,000 | 1,081,703 | 2,741,703 |
| 2017-2021 | 5.750 | 70,000 | 165,987 | 2,030,000 | 718,753 | 2,748,753 |
| 2022-2025 | 5.75-5.40 | 565,000 | 117,496 | 1,960,000 | 230,481 | 2,190,481 |
| Total | | \$ 725,000 | 661,458 | \$ 7,060,000 | 3,362,239 | 10,422,239 |

Revenue Bonds Payable

Details of the District's June 30, 2006 local option sales and services tax revenue bonded indebtedness are as follows:

| Year Ending June 30, | Bond Issue of July 1, 2005 | | | |
|----------------------------|----------------------------|--------------|----------|-----------|
| | Interest Rates | Principal | Interest | Total |
| 2007 | 3.50-4.80 % | \$ 285,000 | 116,030 | 401,030 |
| 2008 | 4.800 | 295,000 | 103,292 | 398,292 |
| 2009 | 4.800 | 310,000 | 88,892 | 398,892 |
| 2010 | 4.80-4.75 | 325,000 | 73,892 | 398,892 |
| 2011 | 4.750 | 340,000 | 58,178 | 398,178 |
| 2012-2014 | 4.75-4.00 | 1,115,000 | 80,408 | 1,195,408 |
| Total | | \$ 2,670,000 | 520,692 | 3,190,692 |

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$282,500 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Energy Loan Note

During the fiscal year ended June 30, 1997, the District entered into an Energy Management Improvement Capital Loan Note to be paid from the General Fund. Details of the loan repayments are as follows:

| Year Ending June 30, | Note Issue of September 4, 1996 | | | |
|----------------------------|---------------------------------|-----------|----------|--------|
| | Interest Rates | Principal | Interest | Total |
| 2007 | 5.900 % | \$ 14,560 | 2,033 | 16,593 |
| 2008 | 5.900 | 15,432 | 1,162 | 16,594 |
| 2009 | 5.900 | 7,870 | 238 | 8,108 |
| Total | | \$ 37,862 | 3,433 | 41,295 |

Mower Lease

During the year ended June 30, 2004, the District entered into a mower lease. Details of the District's lease payments are as follows:

| Year Ending June 30, | Mower Lease of June 25, 2004 | | | |
|----------------------------|------------------------------|-----------|----------|-------|
| | Interest Rates | Principal | Interest | Total |
| 2007 | 5.946 % | \$ 2,276 | 279 | 2,555 |
| 2008 | 5.946 | 2,416 | 140 | 2,556 |
| Total | | \$ 4,692 | 419 | 5,111 |

Computer Lease

During the year ended June 30, 2005, the District entered into a lease for computers. Details of the District's lease payments are as follows:

| Year Ending June 30, | Computer Lease of August 3, 2004 | | | |
|----------------------------|----------------------------------|-----------|----------|-------|
| | Interest Rates | Principal | Interest | Total |
| 2007 | 5.250 % | \$ 7,357 | 386 | 7,743 |

Early Retirement

The District offered a voluntary early retirement plan to its licensed employees. Eligible employees must have completed ten years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive is 1% of the employee's salary times the number of years of service. Actual early retirement expenditures for the year ended June 30, 2006 totaled \$12,446. The cost of early retirement payments expected to liquidated currently are recorded as a liability of the government-wide financial statements representing the District's commitment to fund non-current early retirement of \$56,982.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$226,298, \$213,164 and \$205,028 respectively, equal to the required contributions for each year.

(9) Risk Management

Colfax-Mingo Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$253,475 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2006, expenditures in the support services and non-instructional program functions exceeded the amounts budgeted.

(12) Restatement of Capital Assets

The District did not include on prior years financial statements the amount for Construction in Progress on the capital asset listing. The following is the restatement of the capital asset and governmental activities net assets:

| | Balance Beginning of Year | Increases | Decreases | Balance Beginning of Year, Restated |
|--|---------------------------------|-----------|-----------|--|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 123,219 | 0 | 0 | 123,219 |
| Construction in progress | 0 | 936,377 | 0 | 936,377 |
| Total capital assets not being depreciated | 123,219 | 936,377 | 0 | 1,059,596 |
| Capital assets being depreciated: | | | | |
| Buildings | 5,178,454 | 0 | 0 | 5,178,454 |
| Land improvements | 329,241 | 0 | 0 | 329,241 |
| Machinery and equipment | 894,262 | 0 | 0 | 894,262 |
| Total capital assets being depreciated | 6,401,957 | 0 | 0 | 6,401,957 |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,865,084 | 0 | 0 | 1,865,084 |
| Land improvements | 214,665 | 0 | 0 | 214,665 |
| Machinery and equipment | 765,018 | 0 | 0 | 765,018 |
| Total accumulated depreciation | 2,844,767 | 0 | 0 | 2,844,767 |
| Total capital assets being depreciated, net | 3,557,190 | 0 | 0 | 3,557,190 |
| Governmental activities capital assets, net | \$ 3,680,409 | 936,377 | 0 | 4,616,786 |
| Net assets, June 30, 2005, as previously reported | | | | \$ 2,078,478 |
| Capital assets not included in prior year | | | | 936,377 |
| Net assets, July 1, 2005, as restated for governmental funds | | | | \$ 3,014,855 |

(13) Construction Commitment

The District has entered into various contracts totaling \$7,266,573 for the capital construction of the high school building addition and renovations. As of June 30, 2006, costs of \$6,477,690 had been incurred against the contracts. The balance of \$788,883 remaining at June 30, 2006 will be paid as work on the project progresses.

(14) Deficit Net Assets

The Enterprise, School Nutrition Fund had a deficit net asset balance of \$46,251 at June 30, 2006.

(15) Operating Lease Obligation

The District leases an administrative and bus facility on a monthly basis. The lease contract extends through June 30, 2006. Annual lease payments are \$28,800.

REQUIRED SUPPLEMENTARY INFORMATION

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

| | Governmental Fund Types Actual | Proprietary Fund Type Actual | Total Actual | Budgeted Amounts | | Final to Actual Variance - Positive (Negative) |
|---|--------------------------------------|------------------------------------|-----------------|------------------|-------------|--|
| | | | | Original | Final | |
| Revenues: | | | | | | |
| Local sources | \$ 3,639,541 | 198,681 | 3,838,222 | 6,863,953 | 6,863,953 | (3,025,731) |
| Intermediate sources | 0 | 0 | 0 | 1,000 | 1,000 | (1,000) |
| State sources | 4,240,763 | 2,743 | 4,243,506 | 4,242,523 | 4,242,523 | 983 |
| Federal sources | 182,164 | 102,253 | 284,417 | 117,000 | 117,000 | 167,417 |
| Total revenues | 8,062,468 | 303,677 | 8,366,145 | 11,224,476 | 11,224,476 | (2,858,331) |
| Expenditures: | | | | | | |
| Instruction | 4,791,138 | 0 | 4,791,138 | 4,852,416 | 4,852,416 | 61,278 |
| Support services | 2,033,151 | 0 | 2,033,151 | 1,959,790 | 1,959,790 | (73,361) |
| Non-instructional programs | 0 | 339,600 | 339,600 | 260,000 | 260,000 | (79,600) |
| Other expenditures | 7,179,693 | 0 | 7,179,693 | 7,833,372 | 7,833,372 | 653,679 |
| Total expenditures | 14,003,982 | 339,600 | 14,343,582 | 14,905,578 | 14,905,578 | 561,996 |
| Deficiency of revenues under expenditures | (5,941,514) | (35,923) | (5,977,437) | (3,681,102) | (3,681,102) | (2,296,335) |
| Other financing sources, net | 2,891,422 | 0 | 2,891,422 | 0 | 0 | 2,891,422 |
| Deficiency of revenues and and other financing sources under expenditures | (3,050,092) | (35,923) | (3,086,015) | (3,681,102) | (3,681,102) | 595,087 |
| Balance beginning of year | 5,732,710 | (10,328) | 5,722,382 | 5,146,662 | 5,146,662 | 575,720 |
| Balance end of year | \$ 2,682,618 | (46,251) | 2,636,367 | 1,465,560 | 1,465,560 | 1,170,807 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures in the support services and non-instructional programs functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2006

| | Nonmajor Special Revenue Funds | | | | |
|--------------------------------------|--------------------------------|---------------------|--|---------------------|--------------------------------------|
| | Manage- ment | Student Activity | Physical Plant and Equipment Levy | Expendable Trust | Total Special Revenue Funds |
| ASSETS | | | | | |
| Cash and pooled investments | \$ 22,018 | 42,833 | 49,174 | 15,347 | 129,372 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Current year delinquent | 1,150 | 0 | 624 | 0 | 1,774 |
| Succeeding year | 80,000 | 0 | 46,167 | 0 | 126,167 |
| Interfund | 1,197 | 0 | 0 | 0 | 1,197 |
| Due from other governments | 0 | 0 | 1,000 | 0 | 1,000 |
| TOTAL ASSETS | \$ 104,365 | 42,833 | 96,965 | 15,347 | 259,510 |
| LIABILITIES AND FUND EQUITY | | | | | |
| Liabilities: | | | | | |
| Interfund payable | \$ 0 | 0 | 2,197 | 0 | 2,197 |
| Accounts payable | 0 | 297 | 0 | 0 | 297 |
| Deferred revenue: | | | | | |
| Succeeding year property tax | 80,000 | 0 | 46,167 | 0 | 126,167 |
| | 80,000 | 297 | 48,364 | 0 | 128,661 |
| Fund equity: | | | | | |
| Fund balances: | | | | | |
| Unreserved: | | | | | |
| Undesignated | 24,365 | 42,536 | 48,601 | 15,347 | 130,849 |
| Total fund balances | 24,365 | 42,536 | 48,601 | 15,347 | 130,849 |
| TOTAL LIABILITIES AND FUND EQUITY | \$ 104,365 | 42,833 | 96,965 | 15,347 | 259,510 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006

| | Nonmajor Special Revenue Funds | | | | Total Special Revenue Funds |
|--|--------------------------------|---------------------|--|---------------------|--------------------------------------|
| | Manage- ment | Student Activity | Physical Plant and Equipment Levy | Expendable Trust | |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | \$ 80,383 | 0 | 45,480 | 0 | 125,863 |
| Other | 374 | 122,114 | 300 | 555 | 123,343 |
| State sources | 58 | 0 | 38 | 0 | 96 |
| Federal sources | 0 | 0 | 1,000 | 0 | 1,000 |
| Total revenues | 80,815 | 122,114 | 46,818 | 555 | 250,302 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular instruction | 13,361 | 0 | 0 | 0 | 13,361 |
| Other instruction | 0 | 132,752 | 0 | 1,200 | 133,952 |
| Support services: | | | | | |
| Administration services | 92,409 | 0 | 0 | 0 | 92,409 |
| Other expenditures: | | | | | |
| Facilities acquisitions | 0 | 0 | 65,726 | 0 | 65,726 |
| Total expenditures | 105,770 | 132,752 | 65,726 | 1,200 | 305,448 |
| Deficiency of revenues under expenditures | (24,955) | (10,638) | (18,908) | (645) | (55,146) |
| Other financing sources(uses) | | | | | |
| Transfer out | 0 | 0 | (2,556) | 0 | (2,556) |
| Sale of capital assets | 0 | 0 | 5,577 | 0 | 5,577 |
| Total other financing sources(uses) | 0 | 0 | 3,021 | 0 | 3,021 |
| Net change in fund balances | (24,955) | (10,638) | (15,887) | (645) | (52,125) |
| Fund balance beginning of year | 49,320 | 53,174 | 64,488 | 15,992 | 182,974 |
| Fund balance end of year | \$ 24,365 | 42,536 | 48,601 | 15,347 | 130,849 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

| Account | Balance Beginning of Year | Revenues | Expendi- tures | Balance End of Year |
|--------------------|---------------------------------|----------|-------------------|---------------------------|
| Activity | \$ 4,094 | 0 | 8,728 | (4,634) |
| Fair | 2,521 | 2,984 | 0 | 5,505 |
| Student Council | 0 | 0 | (6,502) | 6,502 |
| Elementary | 4,990 | 2,422 | 5,759 | 1,653 |
| Zoo Trip | 25 | 0 | 0 | 25 |
| Chorus | 1,139 | 516 | 27 | 1,628 |
| Band | 564 | 641 | 202 | 1,003 |
| Interest | 894 | 330 | 0 | 1,224 |
| Cheerleaders | 2,884 | 0 | 357 | 2,527 |
| Student Council | (4,286) | 1,282 | 1,087 | (4,091) |
| Middle | 8,379 | 15,850 | 15,943 | 8,286 |
| MS Tag | 601 | 0 | 0 | 601 |
| Drama/Speech | 43 | 691 | 163 | 571 |
| Activity Speech | 0 | 413 | 1,202 | (789) |
| Athletics | (13,934) | 3,559 | 3,606 | (13,981) |
| Cross Country | (1,467) | 1,044 | 2,350 | (2,773) |
| Boys Basketball | 12,750 | 4,362 | 6,103 | 11,009 |
| Football | 10,523 | 7,410 | 10,341 | 7,592 |
| Baseball | (5,981) | 16,907 | 17,593 | (6,667) |
| Boys Track | (5,077) | 7 | 971 | (6,041) |
| Boys Golf | (1,222) | 1,804 | 2,092 | (1,510) |
| HS Swimming | 0 | 448 | 0 | 448 |
| Wrestling | 1,301 | 4,828 | 7,766 | (1,637) |
| Girls Basketball | 7,683 | 6,653 | 5,676 | 8,660 |
| Volleyball | 1,576 | 3,213 | 2,112 | 2,677 |
| Softball | 3,492 | 5,251 | 3,918 | 4,825 |
| Girls Track | (1,218) | 202 | 335 | (1,351) |
| Girls Golf | (1,556) | 1,120 | 981 | (1,417) |
| Interest | 2,541 | 363 | 2,935 | (31) |
| Cheerleaders | (640) | 2,978 | 1,855 | 483 |
| Student Council | 14,161 | 3,821 | 2,096 | 15,886 |
| Annual | 1,029 | 6,478 | 11,872 | (4,365) |
| Art Club | 106 | 42 | 101 | 47 |
| Class of 2004 | (1,736) | 2,494 | 758 | 0 |
| Class of 2005 | 342 | 0 | 342 | 0 |
| Class of 2006 | 2,453 | 596 | 1,850 | 1,199 |
| Class of 2007 | 1,218 | 3,516 | 3,959 | 775 |
| Class of 2009 | 0 | 89 | 0 | 89 |
| Activity Account | 83 | 149 | 67 | 165 |
| FFA | 1,974 | 7,300 | 8,152 | 1,122 |
| Icons Club | 137 | 0 | 0 | 137 |
| Sound Club | 1,162 | 650 | 509 | 1,303 |
| Spanish Club | 2,114 | 6,198 | 5,579 | 2,733 |
| Tigerhawk Club | 377 | 0 | 0 | 377 |
| Wrestling Pep Club | (395) | 1,203 | 0 | 808 |
| ISEC | 559 | 0 | 0 | 559 |
| Drill Team | 167 | 2,878 | 1,641 | 1,404 |
| Golf Legal | 226 | 0 | 226 | 0 |
| HS Pop Funds | (1,422) | 1,422 | 0 | 0 |
| Total | \$ 53,174 | 122,114 | 132,752 | 42,536 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2006

| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
|-----------------------------|---------------------------------|-----------|------------|---------------------------|
| Assets | | | | |
| Cash and pooled investments | \$ 2,288 | 4,940 | 4,685 | 2,543 |
| Total assets | \$ 2,288 | 4,940 | 4,685 | 2,543 |
| Liabilities | | | | |
| Due to other groups | \$ 2,288 | 4,940 | 4,685 | 2,543 |
| Total liabilities | \$ 2,288 | 4,940 | 4,685 | 2,543 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

| | Modified Accrual Basis | | | |
|---|------------------------|------------------|------------------|------------------|
| | Years Ended June 30, | | | |
| | 2006 | 2005 | 2004 | 2003 |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 3,020,975 | 2,861,673 | 2,846,958 | 2,616,820 |
| Tuition | 171,293 | 163,230 | 74,551 | 80,432 |
| Other | 447,273 | 391,548 | 191,329 | 257,785 |
| Intermediate sources | 0 | 0 | 0 | 7,676 |
| State sources | 4,240,763 | 3,987,537 | 3,975,253 | 4,011,553 |
| Federal sources | 182,164 | 171,778 | 183,185 | 138,086 |
| Total | <u>\$ 8,062,468</u> | <u>7,575,766</u> | <u>7,271,276</u> | <u>7,112,352</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular instruction | \$ 3,063,337 | 2,876,442 | 2,842,724 | 2,746,916 |
| Special instruction | 855,427 | 1,060,881 | 996,430 | 1,003,359 |
| Other instruction | 872,374 | 727,393 | 569,299 | 566,983 |
| Support services: | | | | |
| Student services | 162,948 | 98,931 | 126,527 | 99,139 |
| Instructional staff services | 210,439 | 108,053 | 105,617 | 95,591 |
| Administration services | 854,325 | 850,644 | 724,529 | 647,792 |
| Operation and maintenance of plant services | 530,425 | 544,323 | 463,843 | 571,933 |
| Transportation services | 275,014 | 367,899 | 303,858 | 292,408 |
| Other services | 0 | 0 | 5,245 | 13,394 |
| Other expenditures: | | | | |
| Facilities acquisitions | 6,042,327 | 895,229 | 0 | 4,042 |
| Long-term debt: | | | | |
| Principal | 387,865 | 183,150 | 162,230 | 130,000 |
| Interest and fiscal charges | 496,026 | 85,512 | 103,609 | 202,810 |
| AEA flow-through | 253,475 | 248,379 | 253,884 | 267,777 |
| Total | <u>\$ 14,003,982</u> | <u>8,046,836</u> | <u>6,657,795</u> | <u>6,642,144</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
Colfax-Mingo Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Colfax-Mingo Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 1, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Colfax-Mingo Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

Compliance and Other Matters

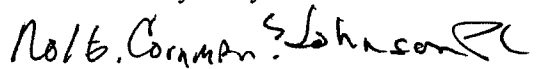
As part of obtaining reasonable assurance about whether Colfax-Mingo Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Members American Institute & Iowa Society of Certified Public Accountants

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Colfax-Mingo Community School District and other parties to whom Colfax-Mingo Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Colfax-Mingo Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

December 1, 2006

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- I-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District is aware that segregation of duties is an important internal control. However, this District does not have the personnel or structure at this time to distribute these tasks. We will, however, continue to monitor and document the tasks so as to ensure the highest degree of internal control we are capable of.

Conclusion - Response accepted.

- I-B-06 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements to the general ledger on a timely basis.

Recommendation - The District should reconcile bank statement balances to financial statement bank balances on a monthly basis.

Response - All reconciliations will be brought current by March 30, 2007 and will be maintained in a current status from there on.

Conclusion - Response accepted.

- I-C-06 Accounting Software - We noted during our audit that the District uses accounting software, however, it was noted that the software was not utilized to its potential.

Reconciliation - The District should use the accounting software it has, in order to reconcile funds throughout the year.

Response - The Fiscal Department will continue to test and utilize the new software for daily, monthly, quarterly and annual projects and reporting. Also, they will consider attending software seminars.

Conclusion - Response accepted.

I-D-06 Gate Admissions - The gate admissions were not reconciled to pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the admissions to the number of tickets issued.

Response - The District will implement the use of pre-numbered tickets for school events effective on or before the 2007 softball/baseball seasons begin.

Conclusion - Response accepted.

I-E-06 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

Donations from Target were recorded in the Student Activity Fund. These donations do not specify the purpose, other than instructional supplies; therefore, they should be receipted into the General fund for use in all instructional supplies/services.

There are Interest accounts. These accounts should be allocated among the Student Activity Funds that earned the interest. This allocation should be done at least annually. Interest earned should be distributed to individual accounts within the Student Activity Fund.

There is an MS tag account. This account appears to be instructional in nature and should therefore be run through the General Fund.

There is a Resale for Activity account. This account appears to be instructional in nature and should therefore be run through the General Fund.

There are several accounts without activity during the year. These accounts include ISEC, Tigerhawk Club, MS Tag and Zoo Trip. These accounts should be reviewed and determined if needed to be closed to other accounts or transferred out of the Student Activity Fund.

The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - The Fiscal Department will identify incorrect deposits and move them to the correct accounts. Interest accounts have been allocated for the FY06 year, and will be annually. Inactive accounts will be identified and flagged as such on the software system. The Fiscal Department will seek clarification from their auditing firm when questions arise with activity within any of these accounts.

Conclusion - Response accepted.

- I-F-06 Grants - We noted during our audit that when revenues and expenditures for specific projects were posted; it appeared that the revenues and expenditures were not always properly posted to the appropriate projects.

Recommendation - The District should review the coding of receipts and bills, to ensure that all receipts and bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - The Fiscal Department will review all postings to date for accuracy, and will monitor activity ongoing for the remainder of the year to ensure accurate accounting on the grants.

Conclusion - Response accepted.

- I-G-06 Timely Deposits - We noted during our audit that deposits for the all funds were prepared but may not be taken to the bank for deposit until several days later.

Recommendation - All receipts should be deposited when received. The district should review procedures to ensure that the deposits are made timely.

Response - Effective immediately, the District will advise administration and staff to collect and deposit monies timely, and will monitor and correct any situations where this is not the case.

Conclusion - Response accepted.

COLFAX-MINGO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

- II-A-06 Certified Budget - District expenditures for the year ended June 30, 2006, exceeded the certified budget amounts in the support services and non-instructional programs functions.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The District is currently analyzing the entire non-instructional program and will have recommendations for improvements in place by July 1, 2007. The District will review the current FY07 budget to determine if amendments are required, and if so, will follow procedures to do so.

Conclusion - Response accepted.

- II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-06 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

| Name, Title and Business Connection | Transaction Description | Amount |
|---|----------------------------|--------|
| Kelly Wilson, District Treasurer Spouse owns First Impression Printing | Purchased Services | \$494 |

In accordance with the Attorney General's opinion dated November 9, 1976, the above transaction with the district treasurer does not appear to represent a conflict of interest.

- II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-06 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely. However, we noted no significant deficiencies in the amounts reported.

Recommendation - The District should submit the Certified Annual Report in a timely manner in the future.

Response - The District will file the FY07 Certified Annual Report on or before the September 15 deadline.

Conclusion - Response accepted.

II-J-06 Revenue Bonds - The District does not appear to have sufficient funding for debt repayments. The District was short for the July 1, 2006 payment and will appear to be short for the June 1, 2007 payment as well.

Recommendation - The District should contact the bond consultants that assisted in the purchase of the revenue bonds. The District should review the local option sales and services tax revenues and may need to designate PPEL revenue to ensure the bond repayment.

Response - The District will monitor sales tax revenues collected to pay for Revenue Bond debt. The District will seek the advice of financial counsel and retain contingency and/or PPEL funds for Revenue Bond payments in the event there is a deficiency of sales tax revenues.

Conclusion - Response accepted

II-K-06 Financial Condition - We noted during our audit that the School Nutrition Fund had deficit net assets of \$46,251 at June 30, 2006. We also noted during our audit that the Special Revenue, Student Activity Fund has several deficit accounts.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit. The District should review the controls in place for the Student Activity Fund. Additional controls for approving purchases may be needed as well as timely posting of receipts would improve the ability to know where the balance is at in each of the accounts. In addition, the District should create a workout plan to address the deficit Student Activity Fund account balances.

Response - The District will have analyzed both accounts and will have recommendations in place to control deficit balances by July 1, 2007.

Conclusion - Response accepted.